https://www.financial-planning.com/news/diversification-through-luxury-watches-advisors-have-thoughts

Diversification through luxury watches? Advisors have thoughts
By Rob Burgess
May 15, 2025, 1:02 p.m. EDT

Advisors can recommend a number of options to help diversify client portfolios. But, should that include luxury watches?

A new study considered just such a question.

The research showed that luxury watches — particularly Rolex, Patek Philippe and Audemars Piguet — "yield significant diversification benefits when being added to well-diversified portfolios comprising stocks, bonds and gold, and even outperform them on a risk-adjusted basis."

"All luxury watch returns exhibit remarkably low volatility, most comparable with bonds while being uncorrelated with traditional asset classes," wrote Siegfried Köstlmeier and Klaus Röder of the University of Regensburg in Germany.

The results of this study don't surprise Jason Gilbert, founder and managing partner of RGA Investment Advisors in Great Neck, New York, as they validate a view many advisors working with affluent clients already hold: Select luxury watches can serve as more than just passion jewelry.

"I've personally guided clients through watch acquisitions where the purchase was both an expression of taste and a thoughtful diversification play," he said. "The Rolex Submariner index, for example, has shown impressive resilience and long-term appreciation, even across economic cycles."

Not everyone is convinced of these alternative assets, though. Noah Damsky, principal at Marina Wealth Advisors in Los Angeles, called the study "insane." He said the study's focus on luxury watch prices from 2010 to 2022 was misleading, as it was a historic bull market that followed the 2008 financial crisis.

"If the conclusion is that ultra-speculative luxury watches did well during a cherry-picked massive bull market and when billionaires became a dime-a-dozen, [then] of course," he said.

Volatility still a concern
Similar diversification benefits can be seen in other luxury items, said Alex Caswell, wealth planner, founder and CEO of Wealth Script Advisors in San Francisco, which focuses on high net worth tech professionals. These pieces tend to be more price resistant to economic downturns due to the buyers' purchasing power.

However, Caswell said this study may be misleading in regards to volatility due

to the fact the price appraisal is infrequent.

"Furthermore, the variability of watches and the general quality of each watch is going to vary significantly, making it much harder to evaluate the true volatility of this asset class," he said.

Looking at volatility of illiquid assets, especially luxury watches, is unreliable, said Damsky. The study frequently references the Sharpe ratio, which is a measure of risk-adjusted return. Damsky called this a "worthless statistic."

"Comparing the volatility of public asset classes to irregularly measured illiquid asset prices is apples and oranges," he said.

If and how to invest in luxury watches

The only time clients should take the plunge on such an investment is if it's an area they are already interested in, as they could easily make a large financial mistake if they are not sure what a specific luxury good, like a watch, should cost, said Caswell.

"These types of luxury goods are best left to true collectors as an actual investment," he said. "For example, I have a client who is very interested and involved in modern art. For him, this is truly a diversifying investment because he can clearly ascertain the value of what he buys and sells."

Not all watches are investments as scarcity, provenance, condition and brand power matter tremendously, said Gilbert.

"My advice to other advisors: Treat watches like any alternative asset," he said. "Do your diligence, understand the market dynamics and only allocate what you're comfortable holding long term. These are illiquid assets, but under the right conditions, they can absolutely complement a broader wealth strategy."

For the everyday American, Damsky said they should "absolutely not" consider luxury watches, which he called a "toy."

"Sure, it may appreciate over time, but that doesn't make it an investment for everyday people," he said. "If you buy a toy and it doesn't lose value, nominal or real, over several years, then that's great because you were able to enjoy it while not losing all of its value."

Overall, Damsky said advisors should encourage clients to enjoy these items, but not view them as investments.

"It seems like some brands have held their value decently over time; so if that's a primary objective, then consider that when making a decision," he said. "However, the odds are that you're buying it to wear, and if it's worth something when you want to sell it, that's a cherry on top, not the driving factor."